

4-18038

MEMORANDUM FOR THE RECORD:

SUBJECT: Printing Services Division Costing

1. A meeting was held on 17 March 1959 to discuss the feasibility of adopting a procedure for costing the operations of the Administration Building Printing Plant based upon fixed or standard charges, as has been contemplated for the other three plants, in order to provide a proper relationship between the basis to be used by components in establishing their cost budgets for printing and the basis to be utilized by the plant in costing the actual work performed.

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2. Messrs. [REDACTED] of the PSD, [REDACTED] of the Budget Division and [REDACTED] of TAS attended. Mr. [REDACTED] stated that no realistic basis could be developed for establishing standards for the product of the Administration Building Plant inasmuch as each job produced is completely different in its make-up from all others and any attempt to utilize standards would be grossly misleading to either the customer or to the plant administration. He stated that the actual cost basis now in effect at the Administration Building Plant, in his opinion, should be excluded, if possible, to the other three plants for the fiscal year 1960. It was pointed out to Mr. [REDACTED] that there are very important advantages to the standard costing procedure from a budgetary and cost-control viewpoint. It was understood, however, that he plans to study this question further and that in view of his rather firm viewpoint, the identification of costs to individual jobs produced on an actual cost basis, as now done in the Administration Building results in more realistic costs; he indicated that he may propose the adoption of such a procedure for 1960.

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3. It was agreed that the PSD would provide the Budget Division with costs of work performed for components in 1959 based upon a pricing of 1959 job requisitions, using standard process costs for work performed in the [REDACTED] "X" Building plants and actual costs for work performed in the [REDACTED]

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Administration Building and "Q" Building plants, and actual costs for work performed in the other plants. Such prices will be adjusted as necessary to reflect, as nearly as practicable, the 1959 actual costs of the respective printing production centers based upon a cost analysis to be prepared by TAS. The adjusted prices will then be applied to actual work requisitions for nine months of the current fiscal year, and the overall cost of work performed for requisitioning units will be reported to the Budget Division by 1 May 1959. A work schedule is to be developed with respect to the analysis by TAS of 1959 production center costs of the [redacted] "K" Building and "Q" Building plants, and the PSD will provide assistance, to the extent possible, in completing this assignment within the required time limit. TAS also will ascertain whether other assistance can be obtained to expedite this analysis.

4. Beginning with the month of July 1959, promptly after the close of each month, PSD will provide the Finance Division with the amounts to be charged to the customers of the printing plants [redacted] Administration Building, "Q" Building, "K" Building, and the [redacted] night shift.) These tabulations will be based on the following:

- a. Administration Bldg. and "Q" Bldg. Plants - Actual cost applicable to each job order.
- b. Other plants - Standard production rates applied to requisitions or if procedures are developed and all components concur therein for costing the work of these plants on an actual job cost basis, this basis may be applied. *

* The proposal to apply on actual cost basis at these plants was first proposed at the subject meeting and the procedures involved therein had not been explored; thus no firm position was taken as to its applicability other than to indicate certain definite advantages of the standard cost basis.

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Deputy Chief, Technical Accounting Staff

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TAS: [redacted] /nlr (20 March 1959)